



## UfM Trade and Investment Forum

“Creating Opportunities for Jobs in Times of Covid-19”

12 November 2020

- Outcome Document -

*In the framework of the [25th Anniversary of the Barcelona Process](#), the UfM Secretariat organized the [second edition of the UfM Trade and Investment Forum](#) on 12 November 2020. The Forum was held during the German EU Council Presidency and took place under the auspices of the German Ministry for Economic Cooperation and Development (BMZ), with the technical and financial support of the German Development Cooperation.*

*The Forum discussed the contribution of trade and investment to employment creation in the Southern and Eastern Mediterranean region, where – for decades – alarmingly high youth unemployment has left millions of young people without a chance to build livelihoods and start their careers. The COVID-19 pandemic has further aggravated the economic and labour market conditions and has exposed existing economic vulnerabilities. At the same time, the health and resultant economic crisis has also offered an opportunity to rebuild Mediterranean integration in a more inclusive and sustainable way. With the Southern Mediterranean linking Europe and the rest of Africa, a future shortening of supply chains might present an important prospect for more jobs and value creation in the region.*

*In addition to more than 20 high-level speakers and panelists, the Forum was followed online by 400 stakeholders and representatives from governments, the private sector, the civil society, academia and international organizations. The Forum was preceded by a [Ministerial Meeting of the UfM Trade Ministers on 10 November](#).*

*The Forum has yielded the following findings and recommendations:*

### **The current crisis and the opportunity to build back better**

1. The COVID-19 crisis has exposed the vulnerabilities and weaknesses of our economies. Current multilateral approaches in health and economic policy must not only enable post-crisis recovery but also set the path for a strong and sustainable Mediterranean integration, as well as stronger links between the European and the African continents in the long-term.
2. Job creation needs to be at the core of post-pandemic recovery. With trade and investment being crucial drivers for economic recovery during and after the COVID-19 pandemic, UfM Member States need to ensure that employment is mainstreamed into trade and investment-related policies, so that trade and investment is specifically targeted to create jobs, in particular for the most affected and vulnerable groups in the Mediterranean.



3. In the Mediterranean, the COVID-19 crisis has reinforced already existing socio-economic disparities and has led to global disruptions of value-chains, unemployment, an expansion of the informal economy, poverty, threatening to fuel migration, radicalization, violence and political unrest. The UfM Member States and private businesses are increasingly confronted with the need to develop more resilient supply chains and to rethink trade integration and investment promotion beyond the recovery from the COVID-19 pandemic.
4. Policy-makers, investors and the private sector in the UfM Member States need to set the course for increased trade both between the Mediterranean countries, as well for the facilitation and promotion of sustainable investment in the region. To this end, the improvement of the investment climate and the update of the Association Agreements between the EU and the Mediterranean partner countries are of crucial importance in order to create investment opportunities and to enable the better use of existing trading opportunities in the region.
5. The Southern and Eastern Mediterranean countries need to make better use of their proximity to the large EU market, demographics, abundant natural resources, existing trade agreements, growing market share, high return on investment and their strategic location between the EU, Sub-Saharan Africa and the Middle East.
6. The COVID-19 pandemic has highlighted the importance of sustainable, robust and risk-reduced supply chains. Many firms in the EU are already looking for new suppliers closer to their production hubs, clients and customers. This could increase the competitiveness of exporters in the MENA region vis-à-vis Asian suppliers. Countries in the Southern and Eastern Mediterranean region should actively prepare for the upcoming opportunities of reshoring and nearshoring and a restructuring of supply chains under the post-pandemic recovery.
7. Even the most solid recovery schemes will ultimately be in vain if we continue business as usual. The economic shocks caused by the pandemic have to be absorbed in a way that leads to sustainable development in the long-term. Common objectives include more sustainable, inclusive, fair and greener trade and investment that is conducive to job creation. They also include the development of an attractive investment climate through enhanced infrastructure and stronger regional supply chains that create value locally, as well as a shortening of value chains.
8. While trade and investment are drivers of economic growth, an increase in economic activity also puts more pressure on the environment. UfM Member States need to mainstream social and environmental standards into their trade and investment relations, in order to align the economic recovery with the protection of the environment and the fight against climate change.
9. While the EU is already the single most important trading partner and foreign direct investor for the MENA region, the current crisis needs to be seen as an opportunity to



frame a positive agenda for a stronger economic integration between Africa, the MENA region and the EU, under which the Southern and Eastern Mediterranean countries emerge as a strong trading partner and a prime location for investments.

10. There is common understanding that regional economic integration and private investment are crucial drivers for job creation. The nature and magnitude of the employment-related challenges in the Mediterranean region have demonstrated once again the essential need for coordinated intergovernmental efforts as well as multi-stakeholder dialogues. The EU, together with its Member States, will develop, build and extend comprehensive and common initiatives that put job creation at the core of sustainable and inclusive recovery.
11. The German EU Council Presidency in 2020 launched a consultation with the EU and the EU Member States about the Team Europe Initiative "Jobs through trade and investment in the Southern Mediterranean", in order to complement the EU's new economic development strategy for the Mediterranean. Germany is ready to contribute significant resources to this initiative, and other EU Member States are invited to join.
12. The UfM is the central platform for regional policy exchange and multi-stakeholder dialogue in the Mediterranean. Its role to promote the regional dialogue on sustainable trade and investment needs to be supported and fully utilized, including for the establishment of a stronger link between the Mediterranean region on the one hand and the African Union and the African Continental Free Trade Agreement (AfCFTA) on the other.
13. Despite their education and motivation, especially women and youth face challenges to find employment or start their own businesses. Young people, accounting for nearly half of the population in the MENA region, were particularly hard hit by the current pandemic and deserve economic opportunities. Having in mind the great potential of the Mediterranean population, the UfM launched in July 2020 the "UfM Grant Scheme for Employment Promotion - Regional Response to the COVID-19 Pandemic" to support projects that enable especially women and youth to find jobs, gain a living and improve their work and living conditions.
14. The UfM continues to promote its flagship initiative for addressing employment creation and SME support in the UfM Region, namely the Mediterranean Initiative for Jobs (Med4Jobs), which has evolved into a pipeline of 14 projects that tackle job creation, skills development, employability, entrepreneurship and start-up support.
15. In order to strengthen the UfM's capacity as an active platform for regional dialogue and cross-border cooperation in the Mediterranean, Germany will support the establishment of a UfM Hub for Jobs, Trade and Investment Promotion in order to promote trade and investment relations as a means to inclusive economic



development and decent job creation in the Southern and Eastern Mediterranean. The German Federal Ministry for Economic Cooperation and Development (BMZ) is ready to commit 10.5 Million Euros to this end and invites other EU Member States to contribute.

## **The role of trade**

16. Trade is a core driver for the creation of sustainable jobs. While the PEM Convention can already create opportunities for regional trade, the modernization of the Association Agreements between the EU and the Southern and Eastern Mediterranean countries is crucial in order to unleash the full potential for trade between the two shores of the Mediterranean. A modernization of the Association Agreements should take place through the full involvement of the private sector and civil society, and aim at the expansion of the existing trade agreements to services and investment, as well as regulatory convergence, in order to support the development of sustainable regional value chains.
17. The pandemic has shown the significance of digitalization. Trade relations in the Mediterranean need to provide for better opportunities in the area of e-commerce, teleworking and distance learning. In order to promote the provision of digital services, the liberalization of services in the Mediterranean should be a priority for the governments of the region, including the movement of natural persons across borders (Mode 4).
18. While the EU is the number one trading partner for its Mediterranean neighbors, trade amongst the Southern and Eastern Mediterranean countries remains limited. With the biggest untapped potential lying in a closer integration between the countries of the South, trade facilitation and a diversification of exports will be crucial in order to enhance the economic integration between the North African countries, as well as between all MENA countries.
19. With only about 1% of all Mediterranean trade taking place between the Southern Mediterranean countries, intra-African trade needs to be enhanced by eliminating tariff and non-tariff barriers, increasing the competitiveness of local businesses, enlarging domestic markets and enabling cooperation across borders with other regional business partners.
20. In order to exploit the advantage of North Africa's geographical proximity to the EU, North African companies have to further advance the quality and quantity of their products, including the upgrading of standards. Trade assistance by the EU to its Southern partners is crucial, including the elimination of existing non-tariff barriers, the reduction of trade costs and the development of quality infrastructure and value-adding production. This requires predictability, respect of agreements, mutual interest and the implementation of a favorable legal environment.



21. The UfM Secretariat, in cooperation with the German Development Cooperation, has already set in motion a series of technical trainings on trade-related topics in the MENA Region, in order to promote the opportunities that the Euro-Mediterranean Association Agreements offer for economic growth.
22. Trade relations between the EU and the Southern and Eastern Mediterranean countries should take advantage of the EU Green Deal, the future EU Industrial Strategy, a renewal of the European Neighbourhood Policy, the EU's plans for a clean energy transition (including the EU Battery Alliance), the EU's hydrogen strategy for a climate-neutral Europe and the European Raw Material Alliance. These EU strategies entail opportunities for trade and value addition in the MENA countries.
23. The UfM Member States in the Southern Mediterranean region should act as a bridge between the EU and the world's largest economic integration project, the AfCFTA. The full implementation and use of free trade opportunities, the harmonization of standards, the reduction of non-tariff barriers and the coherence of trade and developmental policies are crucial in this respect.
24. The participants stressed the importance of ensuring the compatibility of the trade agreements in the Mediterranean region and the African continent. The full use of the Association Agreements between the EU and the MENA countries as well as the implementation of the AfCFTA hold great potential for increased trade and economic integration. Trade assistance and capacity-building measures (e.g. on Rules of Origin, IPR, SPS) are important to contribute to a better understanding and utilization of free trade opportunities.

### **The role of investments**

25. Africa has a high return on investment but only a very low share of global FDI. Relative to its GDP, the Southern Mediterranean region has the lowest volume of FDI worldwide. Political stability, investment promotion and a conducive investment climate are imperative in order to reverse this FDI paradox.
26. The pandemic has led to severe financial shocks. For 2020, FDI flows are expected to go down by as much as 45% worldwide. The creation of a favorable investment climate post COVID-19 will require a joint effort by governments, investment promotion agencies and the private sector. This will have to include well-designed and coherent policies and legal frameworks for a stable legal environment for investment as well as up-to-date labour laws and regulation.
27. Foreign Direct Investment is another crucial driver of employment creation. In order to support job creation, investments must be targeted to employment intensive sectors, be sustainable and inclusive and take into consideration local conditions, in



order to have local socio-economic impact. Renewable energies, pharmaceuticals and raw materials are promising sectors in this regard.

28. In order to unlock the entrepreneurial potential of the region, support measures should be oriented towards access to finance for MSME, including more local currency financing. Policy makers need to aim at improving business and investment conditions by updating regulation, such as the facilitation of business licensing procedures. To further support investment promotion, private sector financing, green economy investments resulting from the implementation of a real green agreement and policy coherence as well as legal stability (good governance) should be facilitated.
29. Investments have to take into account and actively promote environmental protection and climate change. Accordingly, the green transition and green innovations hold great potential for business activity in the region and should be a focus of FDI.
30. The participants emphasized the importance of digitalization in increasing both trade and investment in and between the regions. In order to support the digital transformation of industries, States need to invest both in necessary physical and legal infrastructure as well as in the training and education of their young population, enabling them to acquire highly demanded digital skills.
31. The development of the green and the digital economy is crucial in order to provide rapid growth chances to investors on the African continent and combat unemployment. A green and digital transition (“twin transition”) will require the development of digital infrastructure and the increasing of technical and vocational trainings to enhance green and digital skills of local talent in the region. The EU is supporting this process together with the ETF and development and financing institutions.
32. The EU External Investment Plan of 5,1 billion Euros is expected to leverage 47 billion Euros in available financing. EU investments particular in the area of capacity building and logistical infrastructure in Southern and Eastern Mediterranean countries will be necessary to advance the partnership between the EU and its Southern neighbors.

*The UfM will strive to mainstream employment in trade and investment-related policies, and to continue its role as a unique platform for an open dialogue and exchange between all shores of the Mediterranean, as well as between the public and the private sector, civil society and academia. The Secretariat of the UfM welcomes the interest of UfM Member States to host the third edition of the UfM Trade and Investment Forum in 2021.*